



Washington, D. C. 20505

DDI-06136/85/2

20 DEC 1985

Lieutenant General Leonard H. Perroots, USAF
Director
Defense Intelligence Agency
Department of Defense
Washington, D.C. 20301

Dear Lenny:

My Military Economic Advisory Panel has recently reported to me on its fall meeting. In its report, the Panel recommended that CIA and DIA work jointly on reviewing their estimates of machinebuilding output and Soviet military expenditures.

I believe that a joint effort by CIA and DIA could advance our research and narrow differences in these two areas. We do need to examine and understand the differences in our respective assessments on the growth of Soviet military and civilian machinery output. CIA and DIA now use very different approaches, with conflicting results. Each organization should carefully review the other organization's work and discuss these differences at the working level. Perhaps it would be useful to produce a joint paper on the results of this work. In any event, the joint effort could be presented to a future meeting of the Military Economic Advisory Panel.

The second joint effort would involve narrowing the differences between our estimates of the dollar costs of Soviet military procurement. As you know, over the past few years there have been significant differences in the way our two Agencies have portrayed trends in Soviet military procurement during the most recent year or two. We made some progress last spring in understanding the reasons underlying these differences. Meanwhile, an interagency project currently underway is likely to narrow the gap in our respective production estimates. Any remaining differences in our estimates of procurement are probably attributable to the methodologies we each use. I believe we should continue this work with a view toward reconciling our respective approaches and producing estimates that are consistent with one another.

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Both of these efforts could be pursued within the framework of the Soviet Military Economic Review Group, an interagency group that was established with the charter to coordinate our military-economic work. I intend to ask our SOVA managers to work along the lines I have described, and I urge you to have your people in DB-4 do the same.

Sincerely,

/s/ William J. Casey

William J. Casey
Director of Central Intelligence

SUBJECT: Letter to DIA Director Leonard H. Perroots

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